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1969 ANNUAL REPORT



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COMMODORE BUSINESS MACHINES (CANADA) LIMITED

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
1969 ANNUAL REPORT

FINANCIAL HIGHLIGHTS	1969	1968	% Increase
SALES	\$8,083,704	\$4,475,552	80%
EARNINGS	\$ 725,379	\$ 200,898	261%
EARNINGS PER SHARE	\$.63	\$.18	250%
SHARES OUTSTANDING	1,146,241- ⁵ / ₂₀	1,094,987- ⁵ / ₂₀	
WORKING CAPITAL	\$2,611,997	\$1,795,757	45%
SHAREHOLDERS' EQUITY	\$2,941,553	\$2,052,279	43%



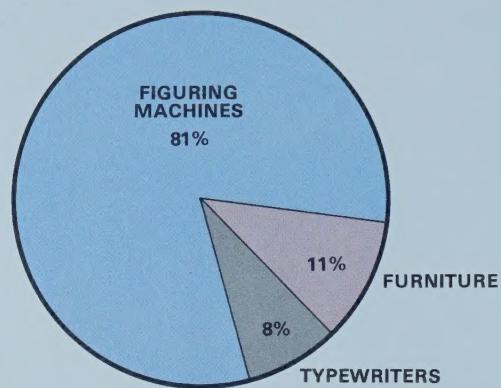
FINANCIAL HIGHLIGHTS



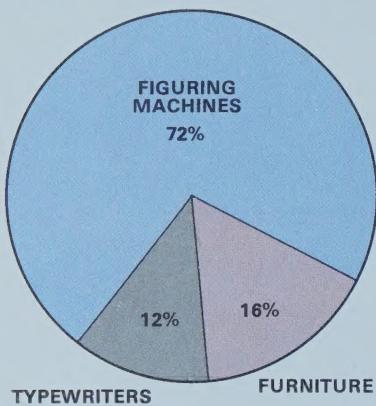
COMMODORE BUSINESS MACHINES (CANADA) LIMITED
and its wholly-owned subsidiaries

SALES HIGHLIGHTS

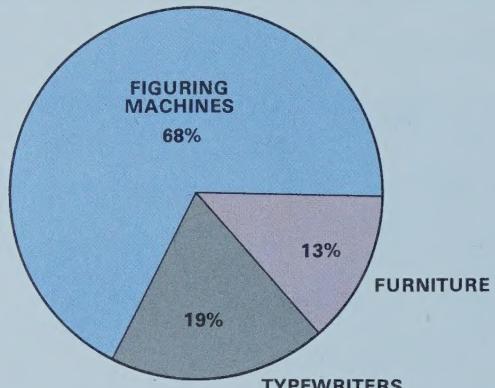
SALES BY PRODUCTS — 1968-1969



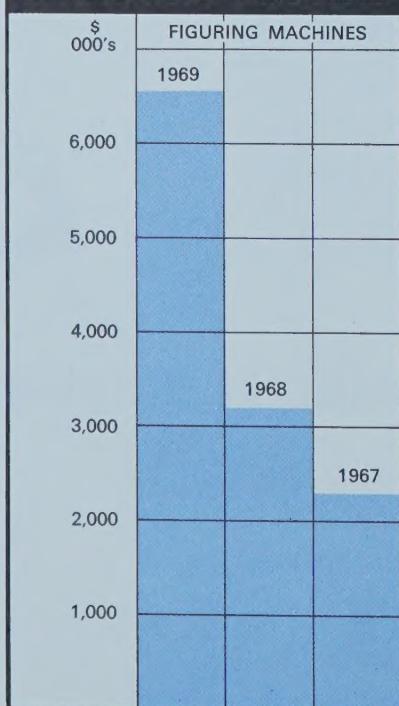
SALES BY PRODUCTS — 1967-1968



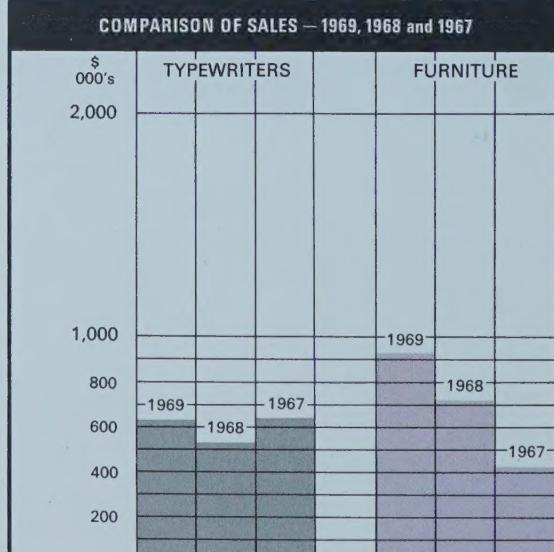
SALES BY PRODUCTS — 1966-1967



COMPARISON OF SALES — 1969, 1968 and 1967



COMPARISON OF SALES — 1969, 1968 and 1967



Directors

Irving Gould, *Toronto, Ontario*
Jack Tramiel, *Toronto, Ontario*
Thomas McGourty, *Aptos, Calif.*
David M. Perlmutter, C.A., *Toronto, Ontario*
Howard L. Beck, *Toronto, Ontario*

Officers

Irving Gould, *Chairman of the Board*
Jack Tramiel, *President*
Thomas McGourty, *Vice-President, Manufacturing*
David M. Perlmutter, C.A., *Secretary*
Frederick S. Draper, *Assistant Secretary*
Howard L. Beck, *Assistant Secretary*

Canadian Operation:

Hans H. Vogt, *Vice-President and General Manager*

United States Operation:

Hylis F. Duell, *Vice-President and General Manager*

946 Warden Avenue, Scarborough, Ontario

Commodore Business Machines, Inc.,

390 Reed Street,
Santa Clara, California 95050

31 East 32nd Street,
New York, New York 10016

7065 West Belmont Avenue,
Chicago, Illinois 60634

Commodore International Limited,

P.O. Box 4852, Bolam House,
Nassau, Bahamas

57 Avenue de Champel,
1211 Geneva, Switzerland

CBM Business Machines Limited,

30 Westminster Palace Gardens,
Artillery Row, Westminster,
London SW1, England

Canada Permanent Trust Company,
Toronto, Montreal

Arthur Andersen & Co., *Toronto, Ontario*

Davies, Ward & Beck, *Toronto, Ontario*

Canadian Stock Exchange, *Montreal*

*Transfer Agent
and Registrar*

Auditors

Counsel

Shares Listed

COMMODORE BUSINESS MACHINES (CANADA) LIMITED

and its wholly-owned subsidiaries

TO THE SHAREHOLDERS:



Mr. Tramiel addressing U.S. dealers

I am especially pleased to report that your Company achieved both record sales and earnings for the year ended June 30, 1969.

Sales were \$8,083,704 as compared to \$4,475,552 in 1968, an increase of over 80% for the period.

Net income including extraordinary items was \$725,379 (63¢ per common share) in 1969 as compared to \$200,898 (18¢ per common share) in 1968, an increase of 261% over the period. The extraordinary items, substantially reductions in income taxes otherwise payable due to carry-forward of prior years' losses, amounted to \$220,000 (19¢ per common share) in 1969 and \$59,547 (5¢ per common share) in 1968.

The financial statements which form part of this report provide full details of the results from operations for the year as well as the financial position of the Company as at June 30, 1969.

We have now established ourselves in the highly competitive world market of our industry as a major supplier of versatile, dependable but low-cost figuring machines and electronic calculators.

In our particular segment of the business equipment industry, the combination of our low-cost machines with their high degree of sophistication has resulted in our obtaining a pre-eminent position.

Products

The research and development facility in California is continuing to improve and modify the present product line and develop new electro-mechanical products.

During the current year the product range of figuring machines was expanded to include three models one of which, Model 207, is an electric adding machine with a list price of less than \$100. We expect that this machine will be the first step in one aspect of our marketing programme, the penetration of the vast home appliance market in North America.

Marketing of the new three opera-

tion Model 402 automatic multiplier commenced on a national scale during the year.

However, the main thrust in our marketing programme is an increasingly versatile range of desktop electronic calculators. Sales of this particular group of products increased 245% for the year, indicative of the strength of your Company's research and development programme which has allowed us to attain our position in an industry where technological innovation and increased sophistication have become requisites for success.

Considerable progress has been made in developing the Commodore designed LSI (large scale integrated circuitry) electronic calculators — the first of which was shown at the recently held NOMDA (National Office Machine Dealer Association) convention in Houston, Texas.

The new Commodore Model 512 with 12 digit capacity will be capable of the four arithmetic functions with Automatic "Constant" and "Grand Total". Heavy order bookings resulted from the preview in Houston. Deliveries will commence in the Fall of 1969 at a proposed list price of less than \$600.

Considerable progress has also been made in the development of a new LSI type 4 operation electronic printer, which will be previewed in the Spring of 1970.

Your Company has accelerated its production schedule for new advanced and sophisticated programmable and non-mechanical printers which are slated for introduction early next year.

Corporate Developments

Although Commodore had maintained its own research and development facilities for several years, as a result of the close relationship which has developed with a major Japanese manufacturer who provides production facilities for our company, we considered that a more formal research and development relationship would be

COMMODORE BUSINESS MACHINES (CANADA) LIMITED

and its wholly-owned subsidiaries

important for future developments. Accordingly, in January, 1969, a new joint venture was established with the Japanese manufacturer to take over all of the research and development activities of your Company. This new joint venture took over the facilities established by your Company in Aptos, California.

Due to the extraordinary growth in sales, particularly in the United States, we have found it necessary to relocate the headquarters for the United States division. Accordingly, premises were obtained in Santa Clara, California, sufficiently large to encompass not only the office for this division but a warehouse and an extensive Parts and Service department.

As part of your Company's programme to expedite deliveries to customers and increase internal efficiency, additional warehouses have been established in New York and Chicago and all Commodore offices are now part of a communications network featuring high speed TWX to enable orders to be transmitted in a matter of minutes and shipped, in most cases, the same day.

As well as the sales offices presently located in New York, Chicago and Oklahoma City, plans have been made for the establishment of a total of ten regional sales offices to be located in the key marketing areas of the United States. It is expected that this expanded network will facilitate the handling of the projected sales increases for the 1970 fiscal year.

The export sales division which handles all sales outside North America has increased deliveries of Commodore machines in Europe and in January 1970, will introduce the complete line of electronic desktop calculators. In order to further develop the expanded European market, we have established a new sales subsidiary in London, England with a resident sales manager. The transfer of responsibility for European sales from North

America to our sales manager who is on the scene will enable the export sales division to offer improved services to European customers and will allow us to play a key role in the United Kingdom when the change is made to the decimal system of currency in 1970.

The production capacity in Japan has been expanded in order to fill the requirements of the increases indicated by the various sales divisions. As a result of the installation of advanced automated computerized testing equipment, the high standard of quality of all present Commodore products can be extended to the more sophisticated products to be produced in the coming months.

Outlook

The rapid development of advanced electronic component systems is opening new and apparently unlimited development possibilities for the products in the business equipment field. Your Company has achieved a significant level of success in its industry and we are confident that these new challenges will be met as successfully and profitably as have the past ones due to our unique combination of a sophisticated research and development programme, a highly-motivated sales organization and a well co-ordinated production and distribution system.

My fellow directors join me in extending sincere thanks and appreciation to our employees, distributors, dealers, agents and suppliers throughout the world for their sustained enthusiasm and confidence in our products and our Company.

On behalf of the Board of Directors.



JACK TRAMIEL
President

Toronto, Ontario
August 23, 1969



COMMODORE BUSINESS MACHINES (CANADA) LIMITED
and its wholly-owned subsidiaries

CONSOLIDATED BALANCE SHEET

June 30, 1969

(with comparative figures for the prior year)

ASSETS	1969	1968
CURRENT ASSETS:		
Cash	\$ 81,986	\$ 84,422
Short-term deposits (Note 3)	683,350	435,750
Receivables—		
Trade—pledged	2,125,708	1,207,823
Other	49,193	259,748
Income taxes recoverable (Note 4)	187,623	171,740
Inventories, principally finished goods, at the lower of cost (first-in, first-out) or net realizable value	2,501,585	1,216,363
Prepaid expenses	48,487	25,510
Total current assets	<u>\$5,677,932</u>	<u>\$3,401,356</u>
INVESTMENT IN AFFILIATED COMPANY, at cost (Note 2)	<u>\$ 108,000</u>	<u>\$ —</u>
 PLANT AND EQUIPMENT, at cost (Note 7)	\$ 464,217	\$ 442,553
Less—Accumulated depreciation and amortization	242,662	186,032
	<u>\$ 221,555</u>	<u>\$ 256,521</u>
 OTHER ASSETS:		
Manufacturing rights, development expenses, patents, trade marks, goodwill, etc.	\$ 1	\$ 1
	<u>\$6,007,488</u>	<u>\$3,657,878</u>

To the Shareholders of
Commodore Business Machines (Canada) Limited:

We have examined the consolidated balance sheet of COMMODORE BUSINESS MACHINES (CANADA) LIMITED (an Ontario corporation) AND ITS WHOLLY-OWNED SUBSIDIARIES as of June 30, 1969, and the related consolidated statements of income, surplus, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements for the preceding year.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Commodore Business Machines (Canada) Limited and its wholly-owned subsidiaries as of June 30, 1969, and the results of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, ONTARIO
August 22, 1969.

ARTHUR ANDERSEN & CO.
Chartered Accountants

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
and its wholly-owned subsidiaries

LIABILITIES

CURRENT LIABILITIES:

	1969	1968
Advances from finance companies—secured by trade receivables.	\$ 678,699	\$ 601,438
Accounts payable and accrued liabilities (Note 3)	2,266,506	879,050
Income taxes payable (Note 4)	120,730	125,111
Total current liabilities	<u>\$3,065,935</u>	<u>\$1,605,599</u>

SHAREHOLDERS' EQUITY:

Capital stock—			
Preferred—			
Authorized 100,000 redeemable, convertible 6% cumulative shares of \$10 par value			
Common—			
Authorized 3,000,000 shares of no par value; issued 1,160,541 ⁵ / ₂₀ in 1969 and 1,123,831 ⁵ / ₂₀ in 1968 (Note 6)	<u>\$1,641,124</u>	<u>\$1,477,229</u>	
Surplus—			
Retained earnings	\$1,055,261	\$ 329,882	
Contributed surplus	245,168	245,168	
	<u>\$1,300,429</u>	<u>\$ 575,050</u>	
	<u>\$2,941,553</u>	<u>\$2,052,279</u>	
	<u><u>\$6,007,488</u></u>	<u><u>\$3,657,878</u></u>	

Approved on behalf of the board:

Irving Gould, Director

Jack Tramiel, Director

The accompanying notes to financial statements form an integral part of this balance sheet.

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
 and its wholly-owned subsidiaries

CONSOLIDATED STATEMENT OF INCOME

for the year ended June 30, 1969

(with comparative figures for the prior year)

	1969	1968
NET SALES	\$8,083,704	\$4,475,552
COST OF GOODS SOLD	5,311,350	3,154,403
Gross profit	<u>\$2,772,354</u>	<u>\$1,321,149</u>
<i>OPERATING EXPENSES:</i>		
Selling	\$1,111,012	\$ 546,110
General and administrative	747,843	392,298
Financial	178,954	39,033
Product development	—	14,560
	<u>\$2,037,809</u>	<u>\$ 992,001</u>
Income from operations before income taxes	\$ 734,545	\$ 329,148
PROVISION FOR INCOME TAXES (Note 4)	229,166	158,757
Income before including subsidiaries not consolidated	<u>\$ 505,379</u>	<u>\$ 170,391</u>
LOSS OF SUBSIDIARIES NOT CONSOLIDATED ABOVE	—	29,040
Income for the year before extraordinary items	<u>\$ 505,379</u>	<u>\$ 141,351</u>
<i>EXTRAORDINARY ITEMS:</i>		
Reduction in income tax provision due to loss carry-forward from prior years	\$ 220,000	\$ 46,889
Gain on sale of subsidiary's operating assets, net of income tax of \$10,000	—	12,658
	<u>\$ 220,000</u>	<u>\$ 59,547</u>
NET INCOME FOR THE YEAR	<u><u>\$ 725,379</u></u>	<u><u>\$ 200,898</u></u>

EARNINGS PER COMMON SHARE (Note 5):

Income for the year before extraordinary items	<u><u>\$.44</u></u>	<u><u>\$.13</u></u>
Net income for the year	<u><u>\$.63</u></u>	<u><u>\$.18</u></u>

The accompanying notes to financial statements form an integral part of this statement.

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
and its wholly-owned subsidiaries

CONSOLIDATED STATEMENTS OF SURPLUS

for the year ended June 30, 1969

(with comparative figures for the prior year)

	1969	1968
RETAINED EARNINGS		
BALANCE, BEGINNING OF YEAR:		
As previously reported	\$ 329,882	\$ 224,307
Adjustments to prior years	—	158,484
As adjusted	\$ 329,882	\$ 65,823
Net income for the year	725,379	200,898
Transfer from appraisal surplus	—	63,161
BALANCE, END OF YEAR	<u>\$1,055,261</u>	<u>\$ 329,882</u>
CONTRIBUTED SURPLUS		
NO CHANGE DURING THE YEARS	<u>\$ 245,168</u>	<u>\$ 245,168</u>
APPRaisal SURPLUS		
BALANCE, BEGINNING OF YEAR	\$ —	\$ 63,161
Transfer to retained earnings; amount was realized through sale of land in 1968	—	63,161
BALANCE, END OF YEAR	<u>\$ —</u>	<u>\$ —</u>

**CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS**

for the year ended June 30, 1969

(with comparative figures for the prior year)

	1969	1968
WORKING CAPITAL, BEGINNING OF YEAR	<u>\$1,795,757</u>	<u>\$1,390,533</u>
<i>SOURCE OF FUNDS:</i>		
From operations—		
Net income for year	\$ 725,379	\$ 200,898
Depreciation and amortization	66,228	74,234
	<u>\$ 791,607</u>	<u>\$ 275,132</u>
Sale of plant and equipment	—	180,763
Sale of common stock for cash pursuant to options and warrants	163,895	124,337
	<u>\$ 955,502</u>	<u>\$ 580,232</u>
<i>APPLICATION OF FUNDS:</i>		
Investment in affiliated company	\$ 108,000	\$ —
Purchases of plant and equipment	31,262	99,992
Decrease in long-term liabilities	—	75,016
	<u>\$ 139,262</u>	<u>\$ 175,008</u>
Increase in working capital	\$ 816,240	\$ 405,224
WORKING CAPITAL, END OF YEAR	<u>\$2,611,997</u>	<u>\$1,795,757</u>

The accompanying notes to financial statements form an integral part of these statements.

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
and its wholly-owned subsidiaries

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 1969

1. PRINCIPLES OF CONSOLIDATION

The Company's financial statements are consolidated as of June 30, 1969, with those of all wholly-owned subsidiaries. The method of accounting for the Company's interest in the 50% owned affiliated company, is described in Note 2. The accounts of foreign subsidiaries have been translated to Canadian dollars at the appropriate rates of exchange.

2. INVESTMENT IN AFFILIATED COMPANY

During the year, Time Research and Development Corp. was formed to engage in research and development in the business machine area. The Company's 50% share of the underlying equity in Time Research as of June 30, 1969, is equivalent to the cost of its investment. The net assets of Time Research are substantially comprised of patents, rights and development costs on products which are not yet being marketed commercially by the Company.

3. SHORT-TERM DEPOSITS

The amount of \$683,350 represents funds on deposit in the Swiss-Israel Trade Bank as of June 30, 1969. Of this amount, \$489,300 is pledged as collateral against letters of credit issued by that bank.

4. INCOME TAXES RECOVERABLE

(a) United States—

The Company's U.S. subsidiary incurred substantial losses during fiscal years 1965 to 1967. Claims have been filed for refunds of \$306,715 of income taxes paid for fiscal years 1962 to 1964, which claims arise from the carry-back of the subsequent losses. The Internal Revenue Service is contesting the claims for refund and has proposed substantial disallowances for fiscal years 1963 to 1965. The Company does not agree with the position of the Internal Revenue Service and is contesting the disallowances. During fiscal 1968, the amount shown as Income Taxes Recoverable was reduced by \$147,783, the estimated effect of the proposed disallowances.

In fiscal 1969, the Company's U.S. tax attorney conferred with the Internal Revenue Service regarding certain of the items in question and is of the opinion that the Company will prevail on a substantial amount of the proposed disallowances. However, because of the contingency involved, the Company does not intend to further adjust its records until final settlement is made.

(b) Canadian—

Income taxes otherwise payable for fiscal 1969 of \$220,000 were eliminated by carry-forward of prior years' losses.

Losses of approximately \$90,000 remain available as of June 30, 1969, for reduction of future income taxes.

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
and its wholly-owned subsidiaries

5. EARNINGS PER SHARE

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years.

6. CAPITAL STOCK OPTIONS

The following shares have been reserved:

(a) For the exercise of share purchase warrants which entitle the holders thereof to purchase fully-paid, non-assessable common shares at the exercise price on or before the date at which the warrants become void:

<u>Series</u>	<u>Void After</u>	<u>Warrants Issued</u>	<u>Exercise Price</u>	<u>Warrants Outstanding</u>	<u>Shares Reserved</u>
"A"	Nov. 1, 1974	200,000	\$4.50	196,450	
"B"	May 1, 1975	120,000	5.50	98,000	
"C"	Apr. 1, 1976	120,000	5.50	120,000	414,450

(b) For options granted to employees to purchase fully-paid and non-assessable common shares:

At \$1.50 per share	10,000
At \$3.25 per share	3,140
At \$9.00 per share	2,500
At \$9.45 per share	1,000
	<u>16,640</u>
	<u>431,090</u>

Subsequent to June 30, 1969, 525 Series "A" warrants and 25,000 Series "C" warrants have been exercised.

7. LEASE COMMITMENTS

At June 30, 1969, virtually all of the premises utilized by the Company and its subsidiaries were occupied under long-term leases which expire at various dates to April, 1984. Aggregate rental commitments remaining under these lease contracts were approximately \$1,260,000 at June 30, 1969, including \$115,000 due within one year.

Annual rental commitments will increase by approximately \$12,000 in about three months, when the Company expects to occupy an addition being built to its Scarborough premises.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Aggregate direct remuneration paid or payable by the Company and its subsidiaries for the year was \$126,350.



1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

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REPORT TO
THE SHAREHOLDERS
FOR THE SIX MONTHS
ENDED
DECEMBER 31, 1969

COMMODORE BUSINESS MACHINES (CANADA) LIMITED

To the Shareholders

Your Company's progress continued uninterrupted into the first half of the 1970 fiscal year. We are pleased to report a 90 per cent increase in net income before extraordinary items for the current period over the comparable six months of 1969 as restated on a comparable basis. The decrease in extraordinary income is due to a lesser amount of tax losses carried forward in the current period than in the prior year period. The increase in sales for the period was 23 per cent including sales for December alone of approximately \$1,200,000, a new record for the Company.

Financial Highlights	1969	1968
Net Sales	\$4,307,011	\$3,510,480
Net income before extraordinary item	\$ 296,005	\$ 156,027
Per share	\$.249	\$.137
Net income for the period	\$ 316,005	\$ 292,587
Per share	\$.266	\$.258
Average number of shares outstanding	1,186,713	1,135,920

It should be noted that the six months ended December 31, 1969 was a period in which substantial non-recurring operating expenses were incurred in both Europe and the United States due to the relocation of offices and the establishment of the sales and administrative organization to allow for the substantial increase in sales anticipated for the later part of this current fiscal year.

Products

Deliveries of the new Commodore model 512 electronic calculator commenced in December about sixty days behind the original planned commencement date. As a result the first six months of the current fiscal year do not reflect the large backlog of orders for this machine which will be realized during the second half of the fiscal year. During the month of March we will introduce a new electronic desk-top calculator primarily designed for the European market. This model 612, incorporating a totally electronic decimal system and the model 412 and 412 printing calculators to be introduced in April and June respectively, have been shown to our dealers and received enthusiastic response.

Due to the change in the United Kingdom from sterling to decimal currencies we have been able to secure substantial contracts for Commodore equipment with delivery to commence during the last quarter of the current fiscal year.

Outlook

In the past years our second six month period has always been better than the first six months. For the 1970 fiscal year we expect this trend to continue.

Our joint venture research and development facility is continuing its work on additional new products which will provide a continuing source of commercial development possibilities in the business equipment field.

We continue to be very proud of this development program as well as the fine sales organization and administrative group that we have established.

Respectfully submitted,
JACK TRAMIEL,
President

February 11, 1970

COMMODORE BUSINESS MACHINES (CANADA) LIMITED
 and its wholly-owned subsidiaries

**Consolidated Statement of Income and
 Retained Earnings**

For the six months ended December 31, 1969 and 1968

UNAUDITED

	<u>1969</u>	<u>1968</u>
Net Sales	<u>\$4,307,011</u>	<u>\$3,510,480</u>
Gross Profit	<u>\$1,427,525</u>	<u>\$1,090,490</u>
Operating Expenses	<u>1,031,520</u>	<u>793,553</u>
Income from Operations before Income Taxes	<u>\$ 396,005</u>	<u>\$ 296,937</u>
Provision for Income Taxes	<u>100,000</u>	<u>140,910</u>
Net Income before Extraordinary Item	<u>\$ 296,005</u>	<u>\$ 156,027</u>
Extraordinary Item —		
Reduction of Income Taxes due to Loss Carry-Forward from Prior Years	<u>20,000</u>	<u>136,560</u>
Net Income for the Period	<u>\$ 316,005</u>	<u>\$ 292,587</u>
Retained Earnings, Beginning of Period	<u>1,055,261</u>	<u>329,882</u>
Retained Earnings, End of Period	<u>\$1,371,266</u>	<u>\$ 622,469</u>

**Consolidated Statement of Source and
 Application of Funds**

For the six months ended December 31, 1969 and 1968

UNAUDITED

	<u>1969</u>	<u>1968</u>
Working Capital, Beginning of Period	<u>\$2,611,997</u>	<u>\$1,795,757</u>
Source of Funds:		
From operations		
Net Income for the Period	<u>\$ 316,005</u>	<u>\$ 292,587</u>
Depreciation and Amortization	<u>26,216</u>	<u>27,764</u>
Rights, Models and Drawings Expensed	<u>25,321</u>	<u>—</u>
	<u>\$ 367,542</u>	<u>\$ 320,351</u>
Sale of Common Stock for Cash pursuant to Options and Warrants	<u>240,850</u>	<u>136,470</u>
	<u>\$ 608,392</u>	<u>\$ 456,821</u>
Application of Funds:		
Purchases of Fixed Assets	<u>31,975</u>	<u>24,847</u>
Increase in Working Capital	<u>\$ 576,417</u>	<u>\$ 431,974</u>
Working Capital, End of Period	<u>\$3,188,414</u>	<u>\$2,227,731</u>

Note: The 1968 statement has been restated on a basis consistent with the year ended June 30, 1969 and the six months ended December 31, 1969.

COMMODORE BUSINESS MACHINES (CANADA) LIMITED

and its wholly-owned subsidiaries

Directors

Irving Gould, *Toronto, Ontario*
Jack Tramiel, *Toronto, Ontario*
Thomas McGourty, *Aptos, California*
David M. Perlmutter, *C.A., Toronto, Ontario*
Howard L. Beck, *Toronto, Ontario*

Officers

Irving Gould, *Chairman of the Board*
Jack Tramiel, *President*
Thomas McGourty, *Vice-President, Manufacturing*
David M. Perlmutter, *C.A., Secretary*
Frederick S. Draper, *Assistant Secretary*
Howard L. Beck, *Assistant Secretary*

Canadian Operation:

Hans H. Vogt, *Vice-President and General Manager*

United States Operation:

Allan B. Flagg, *General Manager*

Head Office

946 Warden Avenue, Scarborough, Ontario

Other Offices

Commodore Business Machines, Inc.,
390 Reed Street,
Santa Clara, California 95050

350 Fifth Avenue,
New York, New York 10001

7065 West Belmont Avenue,
Chicago, Illinois 60634

Commodore International Limited,
P.O. Box 4852, Bolam House,
Nassau, Bahamas

CBM Business Machines Limited,
30 Westminster Palace Gardens,
Artillery Row, Westminster,
London SW1, England

Transfer Agent and Registrar

Canada Permanent Trust Company,
Toronto, Montreal

Auditors

Arthur Andersen & Co., *Toronto, Ontario*

Counsel

Davies, Ward & Beck, *Toronto, Ontario*

Shares Listed

Canadian Stock Exchange, *Montreal*

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1970
REPORT TO
SHAREHOLDERS

for the six months ended December 31, 1970

commodore

**COMMODORE BUSINESS MACHINES
(CANADA) LIMITED**

TO THE SHAREHOLDERS:

On behalf of your Company, I am pleased to announce an increase in sales of 25% for the first half of fiscal 1971 over the same period last year. This increase comes through planned merchandising programs, despite the continued competitive pressures we anticipated in our last Annual Report.

While profit margins were restrained as a result of this competition, several significant factors promise materially positive results for your Company during the second half of the year.

Included in the cost of the Series 412 machines sold in the first six months is \$271,000 of the cost of their development. This leaves only a minimal amount to be written off in the third quarter, thus indicating a substantially higher gross profit on sales of these machines in the third and fourth quarters.

In addition to the Series 412, the two new lower priced machines, which will be introduced in April and May, have already received an enthusiastic reception from those of our customers, who have seen them.

Historically, your Company's sales during the second half of a fiscal year have exceeded the efforts of the first six months. With the introduction of our new equipment along with the addition of two new members to our senior sales staff, we have every reason to feel assured that the next six months' sales will be significantly enhanced.

In the United States, our new Marketing Manager joined the Company in December and his efforts have already produced marked results. The new General Manager of our International Division joined the Company in January and has now set up the nucleus of a continental European sales organization to complement the sales staff already functioning in the United Kingdom.

This broadening of our sales team, together with the new products being introduced this spring, should result in a profitable 1971 fiscal year, particularly in the fourth quarter.

JACK TRAMIEL
President

February 22, 1971.

Consolidated Statement of Loss and Retained Earnings

For the six months ended December 31, 1970 and 1969
(U.S. \$)
UNAUDITED

	<u>1970</u>	<u>1969</u>
Net Sales	<u>\$5,013,411</u>	<u>\$3,983,985</u>
Gross Profit	<u>\$1,169,332</u>	<u>\$1,320,461</u>
Operating Expenses	<u>1,302,476</u>	<u>954,156</u>
Net Income (Loss) from Operations before Income Taxes	<u>\$ (133,144)</u>	<u>\$ 366,305</u>
Provision for Income Taxes	<u>_____</u>	<u>92,500</u>
Net Income before Extraordinary Item	<u>\$ (133,144)</u>	<u>\$ 273,805</u>
Extraordinary Item Reduction of Income Taxes due to Loss, Carry forward from Prior Years	<u>_____</u>	<u>\$ 18,500</u>
Net Income (Loss) for the Period	<u>\$ (133,144)</u>	<u>\$ 292,305</u>
Retained Earnings, Beginning of Period	<u>\$1,630,498</u>	<u>976,117</u>
Retained Earnings, End of Period	<u><u>\$1,497,354</u></u>	<u><u>\$1,268,422</u></u>

Consolidated Statement of Source and Application of Funds

For the six months ended December 31, 1970 and 1969
(U.S. \$)
UNAUDITED

	<u>1970</u>	<u>1969</u>
Working Capital, Beginning of Period	<u>\$3,379,449</u>	<u>\$2,416,097</u>
Source of Funds:		
From Operations –		
Net Income for the Period	<u>\$ 292,305</u>	
Depreciation and Amortization	<u>24,250</u>	
Rights, Models and Drawings Expensed	<u>23,421</u>	
	<u>\$ —</u>	<u>\$ 339,976</u>
Sale of Common Stock for Cash pursuant to Options and Warrants	<u>—</u>	<u>222,786</u>
	<u>\$ —</u>	<u>\$ 562,762</u>

Application of Funds:

To operations –		
Net Loss for the Period	<u>\$ 133,144</u>	
Less Depreciation and Amortization	<u>25,916</u>	
	<u>\$ 107,228</u>	
Investment in affiliated company	<u>30,475</u>	<u>\$ —</u>
Purchases of Fixed Assets	<u>47,554</u>	<u>29,577</u>
	<u>\$ 185,257</u>	<u>\$ 29,577</u>
Increase (Decrease) In Working Capital	<u>\$ (185,257)</u>	<u>\$ 533,185</u>
Working Capital, End of Period	<u><u>\$3,194,192</u></u>	<u><u>\$2,949,282</u></u>

**COMMODORE BUSINESS MACHINES
(CANADA) LIMITED**

and its wholly-owned subsidiaries

DIRECTORS

Irving Gould, *Toronto, Ontario*
Jack Tramiel, *Toronto, Ontario*
Thomas McGourty, *Aptos, California*
David M. Perlmutter, C.A., *Toronto, Ontario*
Henry B. Sussman, *Toronto, Ontario*

OFFICERS

Irving Gould, *Chairman of the Board*
Jack Tramiel, *President*
Thomas McGourty, *Vice-President, Manufacturing*
David M. Perlmutter, C.A., *Secretary*
Frederick S. Draper, *Assistant Secretary*
Howard L. Beck, *Assistant Secretary*

HEAD OFFICE

Commodore Business Machines (Canada) Limited,
946 Warden Avenue, Scarborough, Ontario

OTHER OFFICES

Commodore Business Machines Inc.,
390 Reed Street,
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7065 West Belmont Avenue,
Chicago, Illinois 60634

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P.O. Box 4852, Bolam House,
Nassau, Bahamas
Representative Office in Japan,
706 Hayama Building,
1-3-14 Hiroo, Shibuya-ku,
Tokyo, Japan

CBM Business Machines Limited,
Suite 209, Princes House,
190 Piccadilly,
London W.1, England

Commodore Buromaschinen GmbH,
Kaiserstrasse 96,
6050 Offenbach/Main, Germany

TRANSFER AGENT AND REGISTRAR

Canada Permanent Trust Company, *Toronto, Montreal*

AUDITORS

Arthur Andersen & Co., *Toronto, Ontario*

COUNSEL

Davies, Ward & Beck, *Toronto, Ontario*

SHARES LISTED

Canadian Stock Exchange, *Montreal*